



Department of Audit

Milwaukee County

Jerome J. Heer

• Director of Audits

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April 6, 2005

To the Honorable Chairman
of the Board of Supervisors
of the County of Milwaukee

We have completed an audit of the County Travel Card Program. The program is administered by the Treasurer's Office and is used primarily by the Sheriff's Office.

The audit shows general compliance with program procedures, but identified an unacceptable number of transactions for which required documentation could not be located. In addition, certain administrative controls over card issuance and expenditure limitations were not in place, nor was there a formal contract between the County and the issuing bank.

Separate responses from the Sheriff's Office and the Office of the County Treasurer are attached. We appreciate the cooperation extended by staff from both departments during the audit.

Please refer this report to the Committee on Finance and Audit.

Jerome J. Heer
Director of Audits

JJH/cah

Attachment

cc: Milwaukee County Board of Supervisors
Scott Walker, Milwaukee County Executive
William Domina, Corporation Counsel
Linda Seemeyer, Director, Department of Administrative Services
Pinkey Buford, Director, Procurement Division, Department of Administrative Services
Terrence Cooley, Chief of Staff, County Board Staff
Steve Cady, Fiscal and Budget Analyst, County Board Staff
Lauri J. Henning, Chief Committee Clerk, County Board Staff
David Clarke Jr., Milwaukee County Sheriff
Dan Diliberti, Milwaukee County Treasurer

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: April 6, 2005

To: Sheriff David A. Clarke, Jr.
Daniel J. Diliberti, Milwaukee County Treasurer

From: Jerome J. Heer, Director of Audits

Subject: Review of the Milwaukee County Travel Card Program

Background

On July 19, 2001, the Milwaukee County Board approved a request by the Treasurer to implement a pilot travel card program (File No. 01-433) to determine the benefits and effectiveness of using credit cards for employee travel. Initially the program was limited to the Sheriff's Department with the intention to expand it to all County departments once the program had been successfully implemented. Upon submission of a report from the Treasurer dated March 4, 2003, recommending that the program be extended to other departments that may wish to participate, the County Board approved a resolution [File No. 01-433(a)(a)], allowing for expansion of the program.

The travel card program is designed to reduce the need for travel advances, expedite travel arrangements, increase the potential to take advantage of travel discounts, and provide greater flexibility in handling travel contingencies. The program is of particular benefit to the Treasurer's Office because of the reduced level of travel advances it has to process, the Sheriff's Department, with its need to be able to carry out extradition of prisoners on short notice, and the Accounts Payable Section of the Department of Administrative Services, due to the decrease in its processing of travel expense reports and issuance of reimbursement checks. Beyond the Sheriff's Department, the only other participant in the program is the Zoological Department (Zoo). The Sheriff's Department made 982 purchases using travel cards for a total of \$58,073 in 2003. The Zoo began its participation in the program in the second half of that year, making twelve purchases totaling \$1,945.

A unique feature of the travel card program is the use of "pool" credit cards (pool cards). In contrast to the purchase card program where all credit cards are issued in the name of specific employees (individual cards), pool cards are issued generically and are maintained by a departmental coordinator who signs them out to employees to pay travel expenses associated with a specific travel event. Due to the practice of allowing multiple employees to use the same pool card or in some cases, individual employees to use multiple pool cards in a given month, department card administrators need to closely review transactions associated with each travel event and reconcile monthly billing statements. According to the Treasurer's Office records, there currently are 41 pool cards and two individual cards available for use within the Sheriff's Department and a total of two cards, one individual and one pool card, available within the Zoological Department.

Following is a discussion of the issues we encountered in our review of the travel card program.

Program Oversight and Control

Travel related expenses incurred by the Sheriff's Department are paid through the travel card program, Accounts Payable, or occasionally through a petty-cash fund or checking accounts established for various law enforcement program activities. Depending on how travel expenses are incurred, any combination of these payment alternatives may be involved for a given travel event.

We reviewed policies, procedures and practices followed by the Sheriff's Department to determine whether controls were adequate to prevent reimbursement of employees through Accounts Payable for travel expenses already paid with a travel card or any of the law enforcement program checking accounts. We also performed tests to determine whether all purchases were authorized and approved. As a result of our review we recognized that the key control in these areas is the centralized review of travel expense reports, receipts and other required documents. In the Sheriff's Department the accounting manager performs this review and signs the travel reports to indicate that all required documents have been reviewed and the purchases are approved.

To confirm that reviews are regularly performed, we verified the presence of the accounting manager's signature on selected travel expense reports submitted to Accounts Payable and those turned in under the travel card program over a twelve-month period. We found the signature of the accounting manager present on all but two (1.1%) of the 189 travel expense reports we examined. However, travel expense reports and other associated documents comprising \$13,313 (22.9%) of the total Sheriff's travel card expenditures for the year could not be located. This includes purchases totaling \$3,244 by the designated pool card coordinator using an individual travel card on behalf of other employees. Based on our examination of available documentation, there is some indication that a travel expense report may not have been prepared for a portion of these purchases. Because of these missing documents there is no assurance that purchases were reviewed and approved in all cases and that multiple payment of travel expenses did not take place.

We extended our examination to identify potential multiple payment of travel expenses. This was accomplished by comparing the names of Sheriff's Department employees associated with travel related transactions processed through Accounts Payable, applicable Sheriff's checking accounts and the travel card program. We identified 17 instances in which the same Sheriff's Department employee who made purchases using a travel card was also reimbursed for travel expenses through Accounts Payable but found no similar instances involving the Sheriff's checking accounts. Upon further review we determined that none of the 17 reimbursements made through Accounts Payable involved a double payment. Again, these results are limited to available documents and no assurance can be provided regarding transactions associated with the missing documents, previously mentioned.

Recommendation 1:

To provide assurance that critical reviews of all travel events are conducted and that travel expenses already paid using a travel card were not also reimbursed through the Accounts Payable Section or one of the Sheriff's checking accounts, we recommend that Sheriff's Department administration exercise stronger control over travel expense reports.

Finally, we reviewed a sample of individual travel card purchases to determine whether they are supported with receipts as required by policies and procedures. Our review covered transactions included on card billing statements for two separate months. During these two months there were 38 billing statements containing 155 transactions that totaled \$12,312. As a result of our review we identified 12 transactions totaling \$998 (8.1%) that were not supported with a receipt. In six of these instances another type of document was present such as a hotel confirmation or flight itinerary. While these types of documents contain information relevant to the card transactions they do not provide the conclusive evidence of payment that is associated with a receipt. We also found two transactions involving hotel stays and totaling \$323 in which the name of the guest was obscured with a black marker on one receipt and the perforated section of the receipt containing the guest name was missing on the other. Although a receipt was present in both cases the absence of the lodgers' names raises concern over the legitimacy of the receipts.

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Recommendation 2:

To provide assurance that travel card purchases are supported with proper documentation as called for by applicable policies and procedures, we recommend that the Sheriff's Department card coordinator withhold approval of affected travel expense reports until required documentation is received.

Due to the findings in this section, we recommend a follow-up review during 2005 to verify that substantial improvement has been made in the level of documentation maintained by the Sheriff's Department. In the event the desired improvement is not achieved (i.e. complete documentation, travel expense reports, receipts, etc., are submitted, reviewed, and properly retained), the Sheriff's Department should be precluded from continued participation in the travel card program.

Contract Issues

In its resolution adopted on July 19, 2001, the County Board authorized and directed the Treasurer's Office to undertake "implementation of the travel card program and associated services under the same contract being executed for the County's purchase card program." We reviewed the purchase card program contract between the County and the fiscal intermediary for the program, US Bank, to determine the terms applicable to the travel card program. Based on our review, we learned that the contract consists of a number of documents, including the request for proposal (RFP), provider response to the RFP, program agreement, and other documents that establish the rights and obligations of the County and US Bank. Based on our review of the contract we found no indication, such as references to the travel card program or an amendment, that the travel card program had been incorporated into the purchase card contract.

We also noted that the final document relating to the contract was signed on July 11, 2001, eight days prior to adoption of the County Board resolution authorizing implementation of the travel card program, further suggesting that the travel card program was not incorporated into the contract.

We did obtain two US Bank documents that were separate from the purchase card contract documents and also appear to be associated with the travel card program. One of the documents, a generic issue commercial card program liability agreement, was signed by the Fiscal Administrator for the Sheriff's Department. The second document, a commercial card agreement for a purchasing card program, was signed by the Treasurer. There is no reference to the purchase card contract in either document nor is there an indication that either of the documents had been reviewed by the Corporation Counsel's Office. This provides additional evidence suggesting the travel card program was never incorporated into the contract as directed by County Board resolution.

Recently, a new contract was awarded for purchase card services. Similar to the original contract previously discussed, there are no references to the travel card program or an amendment to suggest that the travel card was incorporated into the new contract.

The failure of the Treasurer's Office to incorporate the travel card program into the purchase card contract has created a scenario under which the County has agreed to terms and conditions set forth by the fiscal intermediary while forgoing provisions designed to protect the County and serve its interests.

Recommendation 3:

To ensure that the County's contractual relationship with the fiscal intermediary for the travel card program is in compliance with County Board directives and sound contracting practices are followed, we recommend that the Treasurer in collaboration with the Procurement Division and the Office of the Corporation Counsel, amend the purchase card contract to incorporate the travel card program. Alternatively, a separate RFP process could be undertaken for the travel card program, comparable to the process employed to establish the recently awarded contract for purchase card program services.

In addition to the apparent failure to establish a proper contractual agreement with the fiscal intermediary, we have additional concerns related to the administration of the travel card program. First, we noted that all cards issued under the program are established with a cash withdrawal feature that permits the withdrawal of up to \$600 to \$3,000 per month for pool cards and up to \$10,000 per month for each of the three individual cards issued between the Sheriff's Department and the Zoo. Second, we found that the two "individual" travel cards issued within the Sheriff's Department are both in the name of one administrative employee. Third, three pool cards have been issued for each of two pool card accounts. All of these scenarios present significant internal control weaknesses that could result in financial loss to the County.

Recommendation 4:

To correct the internal control deficiencies associated with administration of the travel card program, we recommend that the Treasurer's Office immediately contact US Bank to eliminate the cash withdrawal feature of all travel cards and cancel all redundant pool cards and one of the two individual cards issued to the Sheriff's Department employee. Furthermore, steps should be taken to prevent the occurrence of these situations in the future.

Audit Scope

The objectives of the review of the Milwaukee County Travel Card Program were to determine whether policies, procedures and practices are sufficient to prevent multiple payment of travel expenses incurred by Sheriff's Department employees and whether the Sheriff's Department is in compliance with policies and procedures associated with the travel card program. The audit was conducted in accordance with the standards set forth in the United States Government Accountability Office Government Audit Standards (2003 revision), with the exception of the standard related to periodic peer review. We limited our review to the items specified in this **Scope** section. During the course of this audit we performed the following:

- Reviewed County Board proceedings and ordinances applicable to the development and implementation of the travel card program;
- Examined budgetary material associated with County travel;
- Reviewed contract documents related to the travel card program and the purchase card program;
- Reviewed the policies and procedures manual for the travel card program;
- Examined ordinances and administrative code related to County travel;
- Interviewed Sheriff's Department management responsible for administration of the travel card program;

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- Conducted tests using travel card program billing statements, forms, and transaction documentation to verify whether policies and procedures are followed; and
- Interviewed Department of Administrative Services – Accounts Payable Section management.

The responses to this report from the Sheriff's Department and the Office of the Treasurer are attached. We wish to thank your staff for their assistance and cooperation in this review.

Jerome J. Heer
Director of Audits

JJH/cah

Attachments

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William Domina, Corporation Counsel
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These report pages are not available in this website copy of the report. If you would like a copy of these pages, please contact the Milwaukee County Department of Audit at:

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